"HOUSE RICH BUT CASH POOR"

AN INFORMATIONAL PACKET ON HOME EQUITY CONVERSION

MAY 1983

Richard H. Rowland Ph.D.
Secretary
Department of Elder Affairs

Michael S. Dukakis
Governor

HOUSE RICH BUT CASH POOR

AN INFORMATIONAL PACKET ON HOME EQUITY CONVERSION

A Publication Prepared By: Sherry Edmonds, Housing Analyst
Massachusetts Department of Elder Affairs
38 Chauncy Street
Boston, Massachusetts 02111
Telephone: (617) 727-4092

Robert L. Mollica — Assistant Secretary for Planning and Policy

TABLE OF CONTENTS

Cover Pictures

The cover pictures were taken from the book Planning and Developing a Shared Living Project published by Action for Boston Community Development.

I. Home Equity Conversion Methods

A. Potential and Demand[1]

In theory, the potential impact of home equity conversion improving the economic well-being of older homeowners could be substantial. Three out of four elderly-headed households own their own homes. Among the elderly poor, three out of five households own their own homes. Furthermore, four out of five older homeowners hold title of their property clear of debt. Home equity accounts for 70% of the total assets held by elderly homeowners.

Currently, there are approximately 12.5 million homes owned by older persons in the United States. The average value of these homes is in excess of $50,000. This translates into an aggregate net home equity held by elderly homeowners of over $500 billion nationally.

Bruce Jacobs of the University of Rochester conducted a detailed analysis of the 1977 Annual Housing Survey, which revealed that one-fourth of all low-income elderly homeowners and two-fifths of low-income homeowners over the age of 75 could raise their incomes over the poverty level by liquidating the equity in their homes. Of homeowners aged 75 and over with incomes below 150 percent of poverty, approximately half could raise their incomes by 25% and a quarter by 50% or more through home equity conversion.

Massachusetts ranks tenth among the states in the number of people over 65 years of age and eighth in the number of people over 60, (12.7 percent and 17.5 percent, respectively, of the state's total population are within these two age groups), according to the 1980 Census.

Of the more than two million housing units in Massachusetts in 1980, approximately 1,170,000 (or 57.5 percent) were owner-occupied; and approximately 3,640,000 persons (or 65.8 percent of the state's total population) lived in such owner-occupied units. Approximately 462,000 individuals over 65 years of age in Massachusetts live in owner-occupied housing units; and approximately 148,600 housing units in Massachusetts are occupied by owners who are 65 years of age or older.

Among owner-occupied non-condominium housing units in Massachusetts, according to 1980 Census data, more than 295,000 are currently un-mortgaged; with an estimated 37,500 units occupied by owners over 65 years of age. Many of the elderly homeowners in the state could stabilize and improve their financial position from well-conceived equity-conversion techniques.

Actual consumer demand, however, for home equity conversion may fall far short of any objective measures of market potential since all home equity conversion plans are voluntary. Elderly homeowners must choose to convert the equity in their homes.

There are several reasons why elderly homeowners may not choose to liquidate some or all of the equity in their homes. These include 1) absence of an income need, 2) reluctance to view liquidating ones's home equity as a sound practice, 3) wanting to preserve home equity as a bequest to heirs, 4) general adversion to debt, 5) reluctance to relinquish ownership rights, 6) the cost of the transaction, 7) the risk associated with a given plan, and 8) the fear of losing SSI, Medicaid or other benefits due to increased inc

B. General Characteristics[2]

Every home equity conversion plan generates additional income, yet it also involves a cost to the elderly homeowner. This cost, which varies depending upon the home equity conversion technique employed, can include interest, origination fees, foregone appreciation, or a brokerage commission. In addition, every plan uses up home equity. That is, the more equity you convert into income today, the less you and/or your heirs will have in the future.

The more equity you have, the more you can convert into income. In general, persons with low home values will be able to realize smaller benefits than persons with moderate or high values. However, their benefits may still represent significant percentage increases in their disposable incomes.

In other words, home equity conversion plans only let you use what you already have. They can increase the utility, but not the amount, of home equity. Homeowners with substantial remaining mortgage debt and renters can not be candidates for home equity conversion.

Finally, all home equity conversion plans carry some element of risk for the homeowner. This risk can include the danger of depleting your home equity during your lifetime and the loss of appreciation or other investment opportunities.

C. Home Equity Conversion Plans

1. Reverse Mortgages

Reverse mortgages provide a series of monthly loan advances to a homeowner with repayment of all interest and principal deferred until an agreed-upon future time. Reverse mortgage loan advances are made by the lender to

to the borrower automatically every month throughout the term of the loan. No payment of any kind is due on a reverse mortgage until the end of the loan term. The term of the reverse mortgage loan is established when the loan is closed. It may be a fixed number of years, usually five to ten, or as in the case of a risk-pooling approach to reverse mortgage lending, the term may be explicitly related to the borrower's age. However, in all plans the loan becomes due if the borrower dies or sells the home prior to the end of the term.[3]

The following are general characteristics of reverse mortgages.

a) The more valuable the home, the greater the monthly loan advances can be;

b) The loan is advanced in monthly increments over the term of the loan. However, the loan is repaid in a lump sum only when the term is over;

c) Reverse mortgage interest accrues more rapidly as the loan term progresses;

d) Cash advances to the borrower represent nearly one-half of the eventual loan balance;

e) The longer the term of the loan, the smaller the monthly advance, the shorter the term of the loan, the larger the monthly advance;

f) The final loan-to-value ratio depends on the loan term, interest rate, and monthly advance as well as upon appreciation of the home's market value.[4]

Reverse mortgages have been used for a variety of purposes including needed monthly income supplements for a transitional period such as until a pension starts, until a home can be repaired/improved and a buyer found, or until an opening becomes available in a congregate or elderly housing facility. Income from reverse mortgages can also be used to pay for in-home services or nursing care. Some of the oldest homeowners have taken out loans with terms that match or exceed their life expectancy.

For older homeowners who take out a reverse mortgage with a loan term shorter than their life expectancy, the reverse mortgage will function best as an interim cash flow device for people who plan to sell their home at a later date. It can serve to provide elderly homeowners with added years to live in their homes. The major hazard of a term reverse mortgage is that the borrower's need for monthly cash advances may last beyond the term of the loan, the lender's capacity to refinance, or the home's available equity. That is, the loan balance may eventually exceed the home's value and an older homeowners' equity will have been depleted during their lifetime. There is also concern about how income from a reverse mortgage will affect SSI, Medicaid, or other entitlement benefits.

Examples

San Francisco Development Fund's Reverse Annuity Mortgage (RAM) Program

The professional staff of the RAM Program provides free counseling services to every eligible loan applicant. The staff members analyze the applicant's financial situation, income needs, and goals. They recommend possible options and explain carefully all fees and charges involved. They visit the applicant's property to determine its condition and possible rehabilitation needs.

Once a plan has been chosen, the RAM staff assists the applicant with the necessary paperwork and follow through. Applicants are urged to include family members and professional advisors in all counseling sessions. There is no charge for these services, and participation by the senior homeowner is completely voluntary, with no obligation at any time. The lending institutions participating as a public service in the Marin County Program are the Bank of America, Crocker Bank, Wells Fargo Bank, and First Nationwide Savings.

American Homestead "Century Plan"[5]

This reverse mortgage instrument provides a monthly loan advance until the borrower dies, sells the home, or reaches age 100, whichever comes first. The borrower's life expectancy and the home's value determine the amount of the monthly advances. Interest accrues on the loan at a fixed, below-market rate and no repayment is due until the end of the term.

The borrower agrees to give up some or all of any future appreciation of the value of the home in exchange for this favorable financing.

At the end of term, (when the borrower dies, sells the home, or reaches 100) the borrowers liability is limited by the value of the home at that time. Thus, even if the outstanding loan balance and appreciation share owed to American Homestead exceed the value of the home, American Homestead can only recover an amount equal to the home's value. American Homestead can afford to do this because they propose to pool risks of mortality, property appreciation, mobility, and casualty loss in a single instrument. However, this risk-sharing approach requires a large capital base and scale of operation.

2. Sale Plans

While reverse mortgages involve borrowing against home equity, another approach to home equity conversion involves selling some of the home equity while retaining occupancy rights.

a. Sale Leaseback

Under a sale leaseback arrangement, the homeowner sells the home to an investor, who can be either an individual, a limited partnership, or an institutional interest. The investor then leases back the home to the seller for life. A sale leaseback contract is negotiated and lays out the

rights and responsibilities of the two parties. Usually, the new owner takes over all expenses such as taxes, repairs, and insurance and would pay the seller a down payment plus regular monthly payments. Typically, the seller retains occupancy rights and pays a monthly rent. Increases in this monthly rent can be tied to increases in the Consumer Price Index. The primary barrier to sale leasebacks is the lack of direction on the federal tax implications of residential sale leasebacks for older homeowners. There has been no blanket IRS ruling on whether a sale leaseback constitutes a real sale and thus, no clarification of the effects on investor/owner depreciation and elderly homeowner capital gain exclusion.

Example

Fouratt Corporation - Carmel, California

In this sale leaseback arrangement, the home is sold at a discount that is related to the life expectancy of the seller. The purchase price is then divided into a down payment and a fully amortizing, fixed-rate loan from the seller to the buyer. The term of the loan is also related to the seller's life expectancy. The buyer must purchase a deferred annuity for the seller that begins making monthly payments to the seller in the month following the final loan payment. Since the amount of the monthly annuity payments is equal to the loan payments, the seller is guaranteed a lifetime stream of equal monthly payments. The contract also includes an annually renewable right to lease and a control on rent increases. The Fouratt Corporation serves as a broker between the buyer and the seller.[6]

b. Life Estate (Remainder Interest)

In this type of sale plan, an older homeowner would sell a "remainder interest" in their home to a person who would become the owner of the property when the seller dies. The seller retains a life estate, which is a total ownership right that lasts until death.

Example

Home Equity Living Plans (HELP) - Buffalo, N.Y.

A senior citizen homeowner who contracts with HELP can expect the following benefits:

a) A maintained house and freedom from worry about "what if" the roof leaks, the paint peels, the contractor doesn't show, etc;

b) The payment of property taxes and insurance;

c) A guarantee that the senior citizen may remain in that home for the rest of his/her life;

d) Monthly checks, guaranteed for life, which are installment payments against the equity in the home.

A senior citizen who contracts with HELP can expect the following cost:

> The senior citizen signs a contract in which it is stated that, at the time of his or her death, the title to the house transfers to HELP. In this way, HELP is "re-paid".

This particular plan is strongly targeted to housing conservation and neighborhood preservation goals and is financed by Community Development Block Grant funds.

3. Special Purpose Loans

Special purpose loans do not have to be repaid until the borrower dies or sells the home. However, all loan proceeds must be used for a specified purpose such as home repairs, weatherization, property taxes, or in-home services.

a. Deferred Payment Loans

Deferred payment loans have been used as a mechanism to upgrade the quality and affordability of homes owned by older people by providing elderly homeowners the liquid financial resources to invest in repairs; normal

maintenance; weatherization; and modifications such as ramps, rails, and chair lifts to make the home more accessible. The loan (all principal and any interest charges) would not have to be repaid until the borrower dies or sells the house.

Most older homeowners are financially capable of making these kinds of investments. The problem is that their ability to pay for them is in the form of home equity rather than current income. The reluctance of many to borrow money for these purposes is due to their inability to repay an installment loan from current income. Deferred payment loans can solve this problem.[7] The future of deferred payment loans depends on several factors. These include a greater understanding of their usefullness by local governments and housing agencies, the availability of capital either through direct grants (CDBG) or debt financing (mortgage revenue bonds), and the establishment of a secondary market.

Example

Just-A-Start Community Development Corporation - Cambridge, MA

Just-A-Start provides home repair loans (through Community Development Block Grant Funds) to elderly homeowners. These loans are then repaid when the home is sold.

b. Home Equity Payment Accounts

This special purpose loan enables elderly homeowners to use home equity to pay for regular, periodic expenses such as property taxes or in-home services. The cost of these expenses is not paid in cash, but charged to an account. The charges plus interest may be paid at any time, but they are not due until the homeowner dies or sells the home. This "new way to pay" is in fact a series of loan advances with repayment postponed until the home's value becomes available.[9]

Again, there is the problem of equity depletion during the homeowner's lifetime.

Examples

California and Oregon operate property tax postponement programs using general state revenues for capital expenses and administration. A loan is made to the elderly homeowner to pay their property taxes. This loan is repaid along with a subsidized interest rate when the home is sold. Wisconsin is planning a similar program using tax-exempt bond financing. The Wisconsin program will include insurance against equity depletion in the form of a loss reserve fund to cover any cases of equity depletion.

4. Home Equity Construction Financing

This home equity conversion mechanism can be used to finance multi-family, owner-occupied, residential structures. Construction costs are paid with the aggregate proceeds of short-term, first-mortgage loans taken out by the eventual residents/owners of the multi-unit structure on their current single family homes. These loans are repaid when the homes are sold, and the sellers move into the condominium or cooperative they have financed.[9] This model allows the elderly homeowner to use the equity at this stage of their life, to finance a smaller more practical unit that would better meet their needs.

Example

Trinity Homes of Oshkosh, Wisconsin, has developed and implemented a non-profit model of this home equity conversion mechanism.

NOTES

1) Data in this section is taken from:

   a) Bruce Jacobs' "An Overview of the National Potential for Home Equity Conversion Into Income for the Elderly," A Report to the Home Equity Conversion Project, March,1982.

   b) National Center for Home Equity Conversion, "Home-Made Pension Plans: Converting Home Equity Into Retirement Income", August, 1982.

   c) <u>Census of Population and Housing, 1980</u>.

2. National Center for Home Equity Conversion, "Home-Made Pension Plans: Converting Home Equity Into Retirement Income", August, 1982.

   Testimony to the House Select Committee on Aging Subcommittee on Housing and Consumer Interests by Ken Scholen on July 29, 1981.

3. National Center for Home Equity Conversion, "Home-Made Pension Plans: Converting Home Equity Into Retirement Income," August, 1982.

4. Ken Scholen, "New Developments in Private Sector Home Equity Conversion Loans," Home Equity Conversion Project (Madison, Wisconsin), 1981.

   ________. "Beyond the Golden Age Club: New Products for the Fastest-Growing Segment of the American Population," Home Equity Conversion Project (Madison, Wisconsin), 1982.

   National Center for Home Equity Conversion, "Home-Made Pension Plans: Converting Home Equity Into Retirement Income," August 1982.

5. National Center for Home Equity Conversion, August 1982.

6. National Center for Home Equity Conversion, August 1982.

7. National Center for Home Equity Conversion, August 1982.

8. National Center for Home Equity Conversion, August 1982.

9. National Center for Home Equity Conversion, August 1982.

II. Equity Conversion Income as it Affects SSI and Medicaid Eligibi

The National Center for Home Equity Conversion in Madison, Wisconsin refers all questions regarding SSI and Medicaid eligibility to a statement contained in an information paper prepared in July, 1982 by The Special Committee on Aging - United States Senate: "Turning Home Equity Into Income For Older Homeowners." This statement points out that the Social Security Administration has not yet developed hard and fast policies to deal with home equity conversion income. Until these policies are developed, the guidelines will be as follows: SSI eligibility is not affected by the asset value of a home. However, loans which must be repaid or resources that are converted into cash are considered to be countable resources. Therefore, reverse mortgage payments or payments to the elderly homeowner from sale/leaseback arrangements will be countable resources.

If eligibility is to be maintained, countable resources at the beginning of each month cannot exceed $1,500 for a single individual or $2,250 for a married couple. Even if the income from the various equity conversion mechanisms would cause these limits to be exceeded, as long as the recipient spends the income in the month that it is received, eligibility will be maintained. Annuity payments, interest, and similar income, except for the first $20 are counted against the monthly limit of $284.30 when determining SSI eligibility and benefit levels.

Regional Decisions

Fouratt Corporation, Carmel, CA: Bob Henry, President states that should any SSI eligible people become involved in the program,

his firm will use the Special Committee on Aging's statement as its guideline. Fouratt has not yet pushed for a ruling from Social Security because at this point they are doubtful that any SSI-eligible people will become involved in their California program. As their program goes nation-wide, however, they feel that this will become more of an issue.

Home Equity Living Plan (HELP Inc.) Buffalo, N.Y.

Donna Guillaume; Director of HELP, has been told by Social Security that income as it relates to eligibility is based on a quarterly calculation i.e., four calculations of income are made per year. If all the equity conversion payments were to be made during one quarter, the SSI recipient would not be eligible for payment during that quarter, but they would be eligible during the other three quarters.

Thus far, no SSI recipients have been involved in the program. Two such people are interested in the program now. Because of this, HELP Inc. pushed for a decision.

Boston, MA Decisions: The Assistance Program Division of the Social Security Administration located in the JFK Building is currently researching the issue through the National Center of Social Security in Baltimore.

Reverse Annuity Mortgage Program, Corte Madera, CA

Bronwyn Belling, Deputy Director, refers to a letter from John A. Svahn, Social Security Administration Commissioner, to the United States Senate Special Committee on Aging contained in

an information paper, "Opportunities in Home Equity Conversion for the Elderly," dated July 20, 1982. She says this letter states the decision of the Social Security Administration regarding home equity conversion (HEC).

Mr. Svahn's letter states that at this time there is no SSI policy that deals specifically with any form of HEC by name. The proceeds of each type of HEC fit under some broader existing policy. To the extent that loan proceeds are retained beyond the month of receipt, they become countable resources to be measured against the SSI limit of $1,500 for a single individual or $2,250 for couple. As long as countable resources are within these limits, they have no effect on SSI payment amounts. However, countable resources in excess of the limit make a person ineligible to receive any SSI benefit.

Countable income, on the other hand, results in a dollar-for-dollar reduction of the SSI benefit payable. Thus, based on Federal benefit rates which became effective July 1, 1982, an individual with countable income in excess of $284.30 a month ($426.40 for an eligible couple) is not eligible for a Federal SSI benefit.

If a reverse mortgage is coupled with an annuity, the annuity payments (and any interest accrued) are unearned income under Section 1612(a) of the Social Security Act. However, receipts from the sale, exchange, or replacement of a resource (a home is a resource) are not income but are merely resources that have

changed form (20 CFR 416.1103). In the case of a sale/leaseback arrangement, the buyer's payments on the house which has been sold remain a resource. However, if the seller's sale/leaseback contract has value and can be sold, it is a countable resource.

Property tax deferral is not considered a loan under the SSI program. Therefore, a governmental payment (deferral) of a homeowner's property tax over a period of time results in the homeowner's receipt of in-kind support and maintenance which is unearned income for SSI purposes (20 CFR 416.1130).

The asset and income levels allowed for medicaid eligibility vary from State to State. South Dakota is the only State to specifically exempt reverse mortgage loan proceeds, both interest or earnings, from consideration in determining initial or continuing eligibility for, or the amount of, medical or public assistance.

III. Existing Home Equity Conversion Programs/Projects

The following organizations can provide more information on specific plans and home equity conversion in general:

American Bar Association, Commission on Legal Problems of the Elderly, 1800 M Street NW, Washington, D.C. 20036 (202) 331-2297.

American Homestead, 724 Signal Light Road, Moorestown, N.J. 08057, (609) 234-0283, Contact: James Burke.

Department of Human Services,
Bureau of Maine's Elderly
State House, Station #11
Augusta, Maine, 04333
(207) 289-2561, Contact Person: Jill Duson.

Fouratt Senior Equity Plan, The Fouratt Corp., P.O. Box K, Carmel-by-the-Sea, Calif. 93921 (408) 625-4447, Contact: G. Robert Henry.

Home Equity Living Plan (HELP), Schiller Park Senior Center, 2057 Genesee Street, Buffalo, N.Y. 14211, (716) 892-2141, Contact: Donna Guillaume.

Just-A-Start Community Development Corporation
320 Cambridge Street, Cambridge, Mass.
(617) 492-7900, Contact: Barbara Shaw.

National Center for Home Equity Conversion,
110 East Main Street, Room 1010
Madison, Wis. 53703, (608) 256-2111, Contact: Ken Scholen.

Reverse Annuity Mortgage Program, San Francisco Development Fund
1107 Oak Street, San Francisco, CA 94117 (415) 924-5770, or 863-7800
Contact: Bronwyn Belling.

Wisconsin Housing and Neighborhood Conservation Program,
Department of Development, State of Wisconsin,
P.O. Box 7970, Madison Wis. 53707 (800) 362-3020
Contact: Ronald W. Krohn, William Perkins

IV. Home Equity Conversion Assistance Project

In January 1983, the Home Equity Conversion Task Force, with the Massachusetts Department of Elder Affairs as the lead agency, submitted a proposal to the Department of Health and Human Services for Discretionary funds. An overview of this proposal is detailed below.

Applicant Organization:	Commonwealth of Massachusetts Department of Elder Affairs 38 Chauncy Street Boston, MA 02111
Target Population:	Elderly home-owners
Total Project Period:	18 months
Total Budget Request:	$170,000

This project will develop, market test through numerous media, and implement a set of home equity conversion instruments among households and neighborhoods of different socio-economic characteristics. Through these activities, the participating organizations will gain the materials and know-how essential to developing and marketing a virtually untried financing approach to enhancing economic self-sufficiency among the elderly. These products will be transferable to a wide range of community-based organizations committed to elderly programs throughout the Commonwealth and the country.

This proposal advances the state of the art regarding home equity conversions, because we will be providing local communities with the knowledge to determine what kinds of home equity conversion mechanisms would work in their communities and how to make them work best. We are seeking to build the capacity of local communities to assess the need for and develop home equity conversion arrangements suitable and appropriate to meet the housing needs in their neighborhoods.

The proposal will enable elder homeowners to utilize the public and private sectors to generate spendable income through the use of home equity conversion mechanisms such as reverse mortgages, sale-leasebacks, and deferred loans to create accessory apartments.

The goal of the proposal would be to make home equity conversion an available, workable, and feasible possibility for Massachusetts elders. Its objectives would be,

1. To provide education, information and training for elder homeowners, lawyers, and lenders through a clearinghouse which would
    a. Assist communities in assessing needs for equity conversion mechanisms;
    b. Function as an information center;
    c. Provide information workshops for homeowners, lenders, and lawyers;
    d. Create educational material as needed.
2. To identify and explore possible solutions to institutionalized barriers to the implementation of home equity conversions in Massachusetts.
    a. Draft and work for the passage of enabling legislation to allow state-chartered banks to make reverse mortgages;
    b. Explore sources of capital for home equity conversions such as pension funds, creative use of Community Development Block Grant Funds, the secondary market, the state housing finance agency, and private foundations.
    c. Research and try to resolve legal issues affecting the success of home equity conversions such as the treatment of income generated by home equity conversion with respect to the homeowner's eligibility for public entitlement programs and the status of the capital gains exclusion and depreciation in the sale-leaseback model.
3. To demonstrate home equity conversion techniques in a cross section of Metropolitan Boston neighborhoods with differing housing stock, income levels, and needs utilizing a neighborhood focus, which would provide education and information to elders and assist them in choosing which equity conversion instruments will be implemented in their neighborhood.

V. Reading List on Home Equity Conversions

A. Books/Publications[1]

Dauer, Gary. "Sale/leasebacks: A feasibility study of its implementation for older homeowners in the South End/Lower Roxbury Community." Report for the Housing and Living Assistance Program, United South End Settlements (U.S.E.S.)

De Hamel, Beth A. "Home Equity Conversion for the Elderly: An Analysis of the Concept and the Alternatives." Unpublished Masters Thesis, JFK School of Government, Harvard University. 1982.

Drury, Michael. Preliminary data analysis on the "Treatment of Home Equity Conversion Benefits by the SSI Program." 1982.

Edward, Donald. "Reverse Annuity Mortgages: Washington, D.C.: Federal Home Loan Bank Board. 1977.

Fouratt Corporation. Sale-Leaseback Promotional Literature entitled: a) "The Fouratt Senior Equity Plan: Buyer's Handbook", b) "The Senior Citizen Equity Plan" (for sellers) 1980.

Greater Essex Community Foundation. "The Case for a Home Equity Conversion Program for Senior Homeowners in Essex County, N.J.," (Orange, New Jersey), 1982.

Guttentag, Jack. "Creating New Financial Instruments for the Aged," New York University Graduate School of Business Education, May, 1975.

Guttentag, Jack and Garnet, Robert. "Modeling the Buffalo Plan," Home Equity Conversion Project (Madison, Wisconsin), 1981.

Guttentag, Jack. "Reverse Annuity Mortgages: How S & Ls Can Write Them." Washington, D.C.: Federal Home Loan Bank Board, November 1977.

Guttentag, Jack. "Home Equity Conversion: A New Factor in Retirement Planning." Madison, WI: National Center for Home Equity Conversion, 1982.

Hagel, Bruce. "Home Equity Conversion Programs: Are They Compatible with Public Entitlement Programs," Clearinghouse Review, The National Clearinghouse for Legal Services, Vol. 15, No. 3, July 1981.

Home Equity Conversion Project. "Working Papers and Proposals." S.F. Development Fund, Madison (WI) Development Corporation, Westside (Milwaukee) Conservation Corp., Buffalo Senior Citizen Annuity Program, Monona (WI) Senior Citizen Commission. (Madison, Wisconsin), 1980.

[1] Taken from lists developed by Paul Brown, Housing Specialist, Boston Commission on Affairs of the Elderly and the National Center for Home Equity Conversion, Madison, Wisconsin.

Home Equity Conversion Project. "Proposals for Property Tax Deferral in the 1981 Wisconsin Legislature," (Madison, Wisconsin), 1981.

Home Equity Conversion Project. "Pilot Project Update," (Madison, Wisconsin), February 1981.

Home Equity Conversion Project. "Pilot Project Update #2," (Madison, Wisconsin), June 1981.

Home Equity Conversion Project. "Pilot Project Update #3: S.F. Development Funds, Buffalo Home Equity Plan, Essex County (New Jersey) Project, Monona (Wisconsin) Senior Citizen Commission," (Madison, Wisconsin), October 1981.

Home Equity Conversion Project. "Housing Issues." Madison, WI: National Center for Home Equity Conversion. 1982.

Home Equity Conversion Project. "Evaluating Home Equity Conversion Plans" Madison, WI: National Center for Home Equity Conversion. 1982.

Home Equity Conversion Project. "Home Equity Conversion: Current Status and Federal Policy Options." Madison, WI: National Center for Home Equity Conversion. 1982.

Home Equity Conversion Project. "A Guide to Sale Leaseback Arrangements for Older Homeowners and their Attorneys." Madison, WI: National Center for Home Equity Conversion.

Home Equity Conversion Project. "Housing Issues: Summary Outline, Draft Recommendations of the President's Commission on Housing, Federal Tax Treatment of Depreciation on Residential Sale Leasebacks, A Federal Role in RAM Development." Madison, WI: National Center for Home Equity Conversion. 1982.

Home Equity Conversion Project. "The Deferred Payment Repair Loan," (Madison, Wisconsin), 1982.

Home Equity Conversion Project. "Unlocking Home Equity Through Property Tax Deferral," (Madison, Wisconsin), 1980.

Jacobs, Bruce, 1982. "An Overview of the National Potential for Home Equity Conversion into Income for the Elderly." Rochester, N.Y.: Public Policy Analysis Program, University of Rochester.

Jacobs, Bruce. "National Potential for Home Equity Conversion." Madison, WI: National Center for Home Equity Conversion.

Jacobs, Bruce. "The Housing of Elderly Americans: A Keynote Address to the 1981 White House Conference on Aging." Rochester, N.Y.: Public Policy Analysis, University of Rochester Discussion paper #8103. 1981.

Kaplan, Smith & Associates, Inc. "Special Study on Reverse Annuity Mortgages." San Francisco: San Francisco Development Fund. March 1981.

Kaplan, Smith & Associates, Inc. "Standard Format of Pubchase and Sale Agreement." April 14, 1981.

Kaplan, Smith & Associates, Inc. "Evaluation of the RAM Program of the San Francisco Development Fund: Marin County, CA. March 1, 1980 - March 1, 1982." (Maurice A. Weinrobe, Consultant)

Marin County Project. Computer print-out of "Sample RAM Data." 1982.

Mean, Marilyn. "Home Equity Conversion and Means Tested Programs" Madison, WI: National Center for Home Equity Conversion.

Merrill, Sally R. and Stephen K. Mayo. "Research on Housing Choice and Home Equity for Microsimulation of Retirement Policy." Cambridge, MA: Abt Associates, 1981.

Merrill, Sally R. "Home Equity and The Elderly.: Cambridge, MA: Abt Associates, Inc. 1982.

Myers, Phyllis. "Aging in Place: Strategies to Help the Elderly Stay in Revitalizing Neighborhoods." Washington, D.C.: Conservation Foundation. 1982.

National Center for Home Equity Conversion. "Final Report of the Home Equity Conversion Project," Madison, Wisconsin, March 1982.

National Center for Home Equity Conversion. "Public Policy on Home Equity Conversion," Madison, Wisconsin, September 1982.

National Center for Home Equity Conversion. "Home-Made Pension Plans: Converting Home Equity Into Retirement Income," Madison, Wisconsin, August 1982.

Neubig, Thomas. "Reverse Annuity Mortgages: A Dissaving Mechanism for Older Homeowners," in Gregory J. Duncan and James N. Morgan (eds.), Five Thousand American Families: Patterns of Economic Progress. Volume VIII. Ann Arbor, MI; Survey Research Center, University of Michigan. 1980.

Parliment, Thomas J. and James S. Kaden. "The Shared Appreciation Concept in Residential Financing." Chicago: The U.S. League of Savings Associations, April 1982.

Peterson, Kristina and Ingrid Heinsohn. "The Uses of Research Sponsored by the Administration on Aging (A.A): Case Study No. 6 -- The Home Equity Conversion Project." Washington, D.C.: American Institutes for Research. 1982.

San Francisco Development Fund. "Questions and Answers about RAMs " "How the RAM Program processes your application." "Origin and Programs of the S.F. Development Fund."

Scholen, Ken and Yung-Ping Chen (eds.) Unlocking Home Equity for the Elderly, Ballinger Publishing (Cambridge), 1980.

Scholen, Ken. "New Developments in Private Sector Home Equity Conversion Loans," Home Equity Conversion Project (Madison, Wisconsin), 1981.

Scholen, Ken. "Beyond the Golden Age Club: New Products for the Fastest-Growing Segment of the American Population," Home Equity Conversion Project (Madison, Wisconsin), 1982.

Scholen, Ken. "Federal Tax Treatment of Depreciation on Residential Sale Leasebacks for the Elderly," Home Equity Conversion Project (Madison, Wisconsin), 1982.

Sjogren, Jane and Judith Feins. "Home Equity Conversion Through Reverse Annuity: An Income Supplement for the Elderly." Federal Home Loan Bank Board Journal. 16/1: 15-25. 1983.

Special Committee on Aging United States Senate. "Turning Home Equity into Income for Older Homeowners," U.S. Government Printing Office, July 1982.

Special Committee on Aging United States Senate. "Opportunities in Home Equity Conversion for the Elderly," U.S. Government Printing Office, July 1982.

State of California. Enabling Legislation for Reverse Mortgages.

State of Connecticut. Department of Aging,"Alternatives for Housing the Elderly: A Future Without Federal Funding?" June 18, 1982.

State of Connecticut. Department of Aging, "Innovative Options in Elderly Housing: A Manual for Local Action." 1982.

State of Connecticut. "Enabling Legislation for Reverse Mortgages."

State of Maine. Bureau of Elderly Affairs Application for HHS Discretionary Funds for "A Model for Innovative Home Equity Conversion Through Linkages Between the Private and Public Sectors."

State of Wisconsin. "Rebuilding Wisconsin: A Progress Report on the Wisconsin Housing and Neighborhood Conservation Program." February 11, 1980.

State of Wisconsin. "An Interim Report - The Wisconsin Housing and Neighborhood Conservation Program." May 30, 1980.

State of Wisconsin. Department of Development, "The Deferred Payment Repair Loan." March 11, 1981.

State of Wisconsin. Property Tax Deferral. "News Clipping, Statutory Proposal, Question and Answer Sheet., June 1981.

State of Wisconsin. Information Packet of the Wisconsin Home Equity Conversion Project.

Turner, Lloyd, et.el. "Housing Options for the Community Resident Elderly: Policy Report of the Housing Choices of Older Americans Study." Report Prepared for the Administration on Aging under Grant #90-AR-2118. March 1982.

Weinrobe, Maurice. "Alternatives to the End of Term Payoff" Madison, WI: National Center for Home Equity Conversion.

Weinrobe, Maurice. "On the Accumulation of Interest with a Reverse Mortgage," San Francisco Development Fund.

Weinrobe, Maurice. "Special Study on Reverse Annuity Mortgages," San Francisco Development Fund, 1981.

Weinrobe, Maurice. "Consumer Safeguards for Instruments Unlocking Home Equity for the Aged," Home Equity Conversion Project (Madison, Wisconsin), 1982.

Weinrobe, Maurice. "The Rate of Return on a Reverse Annuity Mortgage: A Sensitivity Analysis," San Francisco Development Fund, 1982.

Weinrobe, Maurice. "Home Equity Conversion Instruments with Fixed Term to Maturity: Alternatives to End of Term Payoff," Home Equity Conversion Project (Madison, Wisconsin), 1982.

B. Articles/Media Coverage[2]

1983

Schlenger, Jacques T. and George K. Reynolds III. "Transfer of property to trust in exchange for a lifetime annuity treated as a sale - income held not taxable to grantor as owner of the trust. La Fargue, 82-2 USTC P9622, 50 AFTR 2nd 82-5944 (CA-9, 1982)," Estate Planning, Volume 10, Number 2, March 1983, pp. 113-117.

Firman, James. "Reforming Community Care for the Elderly and Disabled: Three Alternative Approaches," Health Affairs, March 1983.

The Futurist. "Unlocking Home Equity: A New Income Source for the Elderly," February 1983, pp. 77-78.

Groskind, Nena. Realty Q-A, Boston Sunday Globe, February 27, 1983.

Watterson, Thomas. "Do Your Homework Before Making the Housing Plunge," Christian Science Monitor, February 13, 1983.

Parker, Janet. "Mills Trade-off for Homes Gives Monthly Income to Seniors," San Mateo Times, February 8, 1983.

[2]Taken from lists developed by the National Center for Home Equity Conversion. Madison, Wisconsin.

Parker, Janet. "Mills trade-off for homes gives monthly income to seniors," San Mateo Times, February 8, 1983.

Gnoss, Barbara. "How to Sell Your Home and Have it Too," The Ark (Marin County), February 2, 1983.

Willman, John Betz. "Measure Would Let Elders Keep Homes," Los Angeles Times, February 2, 1983.

Sjogren, Jane and Judith Feins. "Home Equity Conversion Through Reverse Annuity Mortgages: An Income Supplement for the Elderly," Federal Home Loan Bank Journal, January, 1983.

Kantrowitz, Judy. "Senior loan-on-home program to start her in April," Tucson Citizen, January 5, 1983.

<u>1982</u>

Gruidl, John and Marvin Johnson. "Home Equity Dissavings: A New Option for the Elderly," Economic Issues, Department of Agricultural Economics, University of Wisconsin (Madison), No.74, December, 1982.

Henry, Diane. "Home Can Help Aged Raise Cash," New York Times, December 19, 1982.

Campbell, Don. "Reverse-Equity Mortgages Not Breaking Down Doors," Denver Post, November 7, 1982.

Garnett, Robert and Jack M. Guttentag. "HELP in Buffalo," <u>Housing Finance Review</u>, Federal Home Loan Bank Board, Vol. 1 No. 4, October 1982.

Watterson, Thomas. "Home is Where the Heart is," Saturday Evening Post, October 1982.

Clayton, David. "Payment Plan to Help Elderly Being Studied," Press Republican (Essex County, New York), September 21, 1982.

Oslund, John J. "Reverse Mortgages Keep Elderly at Home," Minneapolis Star & Tribune, September 13, 1982.

Glenn, Jean. "Are RAMs the New Financial Service Industry?", Human Development News (USDHHS/OHDS/OPA), August-September, 1982.

"For aged, it's home sweet equity," Philadelphia Inquirer, August 30, 1982.

De Wolfe, Evelyn. "Program Aids Senior Homeowners," Los Angeles Times, August 29, 1982.

Brickfield, Cy. "There's Cash in Those Old Homes," American Association of Retired Persons, August 1982.

Holmes, Louise. "RAM Program Expands in Californis," On the Home Front (Federal Home Loan Bank of San Francisco), August 1982.

Harney, Kenneth R. "Creative Financing Inflating Assessments." Boston Sunday Globe, August 22, 1982.

Harney, Kenneth R., "House Equity May Become 'open line of credit,'" Boston Globe, June 27, 1982.

Raper, H. David. "Converting the Elderly Homeowner's Equity Into Income," Real Estate Review, Summer 1982.

"New Loan Benefit for Elderly," Rochester (NY) Democrat and Chronicle, June 17, 1982.

Pierce, Neal R. "A Promising Crop of Ideas for Housing the Elderly," Washington Post, June 12, 1982.

Charm, Robert, "How to have your House and Cash, too," Boston Globe, June 4, 1982.

"Update on mortgage deals: Turning equity into cash," Changing Times, June 1982.

Harney, Kenneth R., "Equity Conversion Could be Financial Boon to Elderly," Boston Sunday Globe, May 30, 1982.

Carter, Steven. "Couple Sell Home, Lease it, Make Money," The Sunday Oregonian, May 16, 1982.

Watterson, Thomas. "Elderly Homeowners Can Sell and Stay Put — with Income," Christian Science Monitor, May 7, 1982.

Harney, Kenneth R. "Home Equity Conversion Idea Receives Nod of President's Men," Washington Post, May 1982.

Shaman, Diana. "New Hope for the Elderly: Home Equity Conversion," Real Estate Today, May 1982.

Harney, Kenneth, "Freddie Mac Gets Involved in Equity Sharing," Boston Globe, January 10, 1982.

1981

Harney, K. (Col.) "'Lifetime Income' in exchange for equity," The Washington Post, December 29, 1981. (Syndicated in 27 newspapers.)

"Retiree relocation," Runzheimer Reports on Preretirement Counseling, Vol. 1, No. 1, November 1981.

"Hope for cash-poor elderly," The Milwaukee Journal, November 29, 1981.

Pommer, M. "Elderly property tax break delayed for bond ruling." Madison Capital Times, November 17, 1981.

"Reverse Mortgage Can Help Elderly Persons Keep Homes," (Knight-Ridder News Service) The Denver Post, November 8, 1981.

"Home Equity Conversion Plans," Bifocal, Vol. 2, No. 5, Oct/Nov. 1981.

Groskind, N. "Using Equity Via Reverse Annuity Mortgage," Boston Globe, November 1, 1981.

"Good Morning America" Interview, ABC-TV New York, October 21, 1981.

Kearns, Robert, "Elderly Homeowners Get Help," Time, October 18,1981.

"Property rich, cash poor," Time, October 19, 1981.

Shaman, D. "Equity conversion plans grow," The New York Times. October 18, 1981.

"Today Show" coverage of Buffalo Project, NBC-TV, September, 1981.

"Home equity conversion: Pilot projects are moving ahead," Mortgage & Real Estate Executives Report, (Warren, Gorham, & Lamont, Inc.), Vol. 1, No.4, September 1981.

"House equity used to aid the elderly," The New York Times, September 24, 1981.

Greer, J. "Help for aged homeowners. New plan bolsters income," Marin Independent Journal, September 20, 1981.

Shoemaker, J.P. "For the elderly, a way to afford home, sweet home, The Philadelphia Inquirer, September 20, 1981.

Buell, F. "City launches project to protect elderly owners' property values," Buffalow Evening News, September 18, 1981.

"Keeping the elderly in their homes in neighborhoods with rising taxes," Neighborhood Reinvestment Report, September 1, 1981.

Television News coverage of RAM Project press conference by three network affiliates; interview of Don Ralya, August 1981.

Smart, D. "Home equity conversion -- pension fund vehicle?" Pension World, Auguts 1981.

Harris, M. "'Reverse' mortgage comes to Bay Area," San Francisco Chronicle, August 27, 1981.

Deluca, M.C. "Nation watches test project for Lovejoy seniors," Buffalo Courier-Express, August 24, 1981.

"Market potential analyzed," HUD Newsletter, August 10, 1981.

"She's first to sign up for 'reverse annuity mortgage'," San Francisco Examiner, August 7, 1981.

Harris, M. "On Wisconsin. An editorial. Targeted tax-relief for the elderly," Milwaukee Journal, August 16, 1981.

Hagel, B. "Home Equity Conversion Programs: Are they compatible with public Entitlement Programs?" Clearinghouse Review, July 1981.

Pommer, M. "Budget bill benefits elderly, says Sykes," Madison Capital Times, July 22, 1981.

Schneider, J. "Elderly want to convert home equity, survey finds," Madison Capital Times, July 8, 1981.

"Unlocking home equity for the elderly," Active Times, (International Society of Preretirement Planners), Summer 1981.

Ferguson, J.T. "Unlocking home equity for the elderly," book review in Bankers Magazine, May-June 1981.

"Unlocking home equity for the elderly," book review in Economic Books: Current Selections, June 1981.

"A looming challenge: Helping older Americans keep their homes," Savings & Loan News, May 1981.

Beeman, D. "Aid to 'house-rich' elderly," Texas Realtor, April 1981.

"Unlocking home equity for the elderly," book review in Mortgage Banker, April 1981.

"Senior homeowners seek cooperative plan," Vailsburg/Neward, New Jersey Newspaper, April 23, 1981.

Gigot, P.A. "Builders recognizing benefits of meeting elderly's needs," Wall Street Journal, April 15, 1981.

Shively, N.H. "Tax-deferral plan for elderly backed," Milwaukee Sentinel, April 14, 1981.

Simms, P. "State, employees' union open bargain," Wisconsin State Journal, April 11, 1981.

Hannah, S. "WSEU offers investment plan," Milwaukee Journal, April 10, 1981.

Smith, C.V. "About the 'reverse'mortgage ," The San Diego Union. April 5, 1981.

Miller, J. "Loan plan test for older homeowner," San Francisco Chronicle, March 1981.

"How to get 'living money' out of your home and still keep the house as a place to live," NCAAEDA Newsletter, March, 1981.

Quinn, J.B. (Col.) "On reverse mortgages," Newsweek, March 30, 1981.

Schjonberg, M.F. "Bills would ease property-tax load on elderly," Wisconsin State Journal, Wednesday, March 18, 1981, Sixty Plus.

Friederich, C.E. "Elderly tax plan likely to survive," Wisconsin State Journal, March 11, 1981.

Pommer, M. "How can the elderly make it?" Madison Capital Times, March 11, 1981.

Clark, L.H., Jr., "The outlook. Help for the elderly: A need for a focus," Wall Street Journal, March 2, 1981.

Jacobs, B. and Struyk, R. "Housing problems of the elderly," "From Wingspread" radio program, February 9, 1981.

Will, G.F. "The 'Grandpa bulge'," The Washington Post, February 5, 1981.

"Tax option plan aids elderly homeowners," Sixty Plus, Wisconsin State Journal, February 4, 1981.

Harney, K. (Col.) "Equity plans turns home into pension," Chicago Tribune, January 25, 1981. (Syndicated in 27 newspapers.)

"Legislative rundown," Madison Capital Times, January 24, 1981.

Harney, K. (Col.) "Home equity viewed as a pension source," Sacramento Bee, January 4, 1981.

1980

Maersch, S. "There's gold in them thar houses," The Milwaukee Journal, December 28, 1980.

Stout, N. "For the elderly, cash from banks," Westport News, December 19, 1980.

Jackson, J.R. "Project seeks to help the elderly cash in on unused home equity," The Baltimore Sun, December 14, 1980.

Harney, K. (Col.) "Could your home be your pension fund?" The New American, Saturday, December 6, 1980.

Kendrick, R. "Program wants to help older homeowners get extra cash," Madison Capital Times, November 28, 1980.

"Reverse annuity mortgages can help retirees supplement their incomes, American Banker ("mortgages" column), November 18, 1980.

Rand, E. "Taping a new source of cash," The New York Times, November 23, 1980.

Hare, P.H. "Ways to deal with housing crisis," The New York Times, November 2, 1980.

Chen, Y.P. "Home equity conversion: Maybe we can use HELP," Generations, October 1980.

"Cashing in on home equity," San Francisco Chronicle, September 3, 1980.

WMTV Channel 15 Editorial Comment, September 3, 1980.

WMTV Channel 15 Editorial Comment, September 4, 1980.

"Housing needs: The choices increase," U.S. News and World Report, September 1, 1980.

Epstein, C. "Social investing involves public funds," Pensions & Investments, September 1, 1980.

"Demonstrating innovation: A new mortgage instrument for the elderly," On the Home Front (Newsletter of the Federal Home Loan Bank of San Francisco), Summer 1980.

"Property tax relief," Opinion column, Wisconsin State Journal, August 28, 1980.

Chen, Y.P. "Elderly homeowner may need HELP," The Philadelphia Inquirer, August 25, 1980.

"Tax-delay plan aired for elderly," Appleton Post-Crescent, August 21, 1980.

"Elderly tax plan called good, but limited," Associated Press, Madison Capital Times, August 21, 1980.

"Tax break for elderly backed," U.P.I. The Milwaukee Journal, August 21, 1980.

"Witnesses disagree on tax proposal," Milwaukee Sentinel, August 21, 1980.

Schjonberg, M.F. "Home Equity Options Opening for Elderly," Sixty Plus, Wisconsin State Journal, August 20, 1980.

Schjonberg, M.F. "Talks with elderly shaped tax plan," Wisconsin State Journal, August 20, 1980.

"Tax-deferral plan likely in '81'," Wisconsin State Journal, August 20, 1980.

Cullen, T., Draus, W., and Scholen, K. "Property tax deferral," Wisconsin Issues Forum, WHA-Radio, Madison (WI), August 20, 1980.

Quinn, J.B., "The affluent elders," Newsweek, August 4, 1980.

Smart, D. "Investment targeting. A new directorn for pension funds," Commentary, July 1980, p. 7-10.

Pommer, M. "Tax deferral plan for elderly picking up steam," Madison Capital Times, July 31, 1980.

"Deferring property taxes of the elderly," Appleton Post-Crescent, July 29, 1980.

"A plan to help elderly keep their homes," WITI-TV Editorial, July 27, 1980.

"On Wisconsin. An editorial. Novel way to ease pinch on aged," The Milwaukee Journal, July 27, 1980.

Knoche, E. "Tax delay for the elderly proposed," Sentinel, July 23, 1980.

Eggleston, R. "Tax plan for elderly gets mixed reactions," Wisconsin State Journal, Associated Press, July 21, 1980.

"Home equity aids elderly," County News, June 16, 1980.

Gould, W. "Equity idea aids house-rich elderly," Madison Capital Times, January 10, 1980.

1979

"Asset for elderly homeowners," Buffalo Evening News, (editorial), October 11, 1979.

"Unlocking home equity: New ideas for homeowners, Aging in the News, August 1979.

"Reverse annuity mortgage: Aid to older homeowners," Los Angeles Times, August 28, 1979.

"Novel mortgage idea tested here," Buffalo Courier-Express, August 12, 1979.

Hadnot, I.J. "Reverse mortgages could help the elderly," Milwaukee Sentinel, June 2, 1979.

Remsik, J. "Reverse mortgages mean cash for senior homeowners," Milwaukee Journal, May 22, 1979.

"Reverse mortgages eyed," Milwaukee Sentinel, April 25, 1979.

"Reverse mortgage plan aids elderly," Boston Herald, March 8, 1979.

"Wisconsin begins reverse mortgage study," Socioeconomic Newsletter, March 1979.

Weberman, B. "Living on your home equity," Forbes, February 19, 1979.

Sturdevant, L. "Proposed state law would allow reverse mortgages," Minneapolis Tribune, January 10, 1979.

1978

Sykes, J.T. "Homestead annuity study" (editorial), WHA-Radio, Madison (WI), February 1978.

VI - Definitions

Annuity - A series of payments made at regular intervals over the lifetime of the recipient or for a predetermined period.*

Deferred Payment Loan - A loan upon which the borrower is not required to pay interest or principal until death or prior sale of the home. *

Home Equity - The value of a home less any mortgage or other lien secured by the home.*

Home Equity Conversion - The process of converting home equity into cash without relinquishing occupancy rights.*

Life Estate - A total ownership right that lasts until death.

Mortgage - Any instrument that creates a lien against real estate as a security for the payment of a debt.*

Loan-to-Value-Ratio - The amount of a loan divided by the value of the home that secures it.*

Reverse Mortgage - A deferred payment or interest only loan or a series of such loans for which a home is pledged as security.*

Reverse Annuity Mortgage (RAM) - Any reverse annuity purchased with the proceeds of an interest only loan.*

Reverse Annuity - Any home equity conversion plan that includes an annuity.*

Sale/Leaseback - The sale of a home to a buyer who immediately leases it back to the seller.*

* From Unlocking Home Equity for the Elderly, Ken Scholen and Yng-Ping Chen, Editors, Ballinger, 1981, pp. 277-278.